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CONFIDENTIAL MARCH 28.

NATUS

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CIA FOR WILLIAM N. MORELL JR.

LIST REVIEW: IL 1520 AND 1523 (A) COMMUNICATIONS

TRANSMISSION EQUIPMENT

REF: PARIS TEL. 5307

1. USDEL SHOULD PROPOSE ON AN AD REF BASIS TO INTERESTED

MEMBERS BILATERALLY OR IN COMMITTEE (A) U.S. WILLINGNESS

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Encl # 4

CLASSIFIED MESSAGE

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IN 08909 PAGE 2 OF 2

AGREE TO AUTOMATIC APPROVAL OF EXCEPTIONS CASES FOR TELEPHONE  
EQUIPMENT OF 60 CHANNELS, 252 KCS, OR LESS, AND ASSOCIATED  
L 1520 EQUIPMENT FOR DESTINATIONS OTHER THAN TO FAR EAST,  
AND THE SOVIET UNION PROVIDED SUBMITTING COUNTRY SATIS-  
FACTORILY DETERMINES CIVIL END-USE;

PAGE 2 RUEHC 16738 C O N F I D E N T I A L

(B) U.S. WILLINGNESS GIVE SYMPATHETIC CONSIDERATION TO  
EXCEPTIONS CASES ABOVE 60 CHANNELS FOR DESTINATION OTHER  
THAN FAR EAST WHERE BONA FIDE CIVIL END USE HAS BEEN ASCER-  
TAINED FOR SUCH REQUESTS, AND IN THE CASE OF SUBSEQUENT  
REQUESTS, VERIFIED FOR ALL EARLIER REQUESTS TO SAME END USER.  
USDEL SHOULD MAKE CLEAR THAT THIS ARRANGEMENT DOES NOT APPLY  
TO TECHNICAL DATA FOR MANUFACTURE OF THE EQUIPMENT.

2. FYI. FOREGOING PROPOSAL SHOULD BE MADE ON AD REF BASIS  
BECAUSE WASHINGTON AGENCIES ARE WILLING TO GO THIS FAR ONLY

IF ACCEPTABLE CONTROL ON COMPUTERS AGREEEEEEEEEEEEEEEEEEEEEEEEED AS OUT  
SEPARATE

TELEGRAM. END FYI.

GP-1. RUSK

BT

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28 April 1966

MEMORANDUM FOR: Acting Chief, D/T

SUBJECT: Intelligence Statement on Pulse-Code Modulation  
(PCM) Equipment

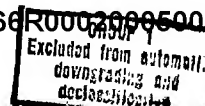
1. The Chairman, EDAC Working Group I has requested a CIA opinion concerning the merits of trading a relaxation on Frequency Division Multiplex (FDM) equipment in return for a total embargo on PCM. Our position on this matter is considered in two distinct parts: (a) whether or not PCM equipment is covered by any present COCOM embargo, and (b) whether the suggested trade-off in COCOM would entail a net strategic loss or gain to the US.

2. From a technical standpoint, PCM equipment appears to be covered presently by List Items 1523 (a), 1568 (1), and 1593 (d) and (e). The degree to which these List Items provide coverage, however, varies widely, and none explicitly mentions PCM equipment. Item 1523 (a) embargoes the transmission equipment associated with PCM systems, and the technical specifications written into the present embargo would provide a cut-off at about 28 channels. The more crucial multiplexing equipment, nonetheless, operates independently of the frequency parameters given in List Item 1523 and therefore is not covered.

3. The PCM multiplexing process incorporates two distinct devices which are covered by present embargo language. The first,

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under List Item 1568 (1) is an analog-to-digital conversion technique which operates at least 30 times as rapidly as the cut-off point written into the embargo. The second, under List Item 1593 (d) and 1593 (e) is a timing device. The parameters relevant to a PCM timing device can vary somewhat with the information format used, but essentially the present wording of the embargo would appear to limit shipments to equipment having a capacity of less than ~~48~~ 154 channels.

4. In general, therefore, it would appear that while PCM equipment is not specifically embargoed by COCOM agreement on List Item 1523, certain critical components are amply covered by the wording of other List Items. From this standpoint, a trade-off freeing FDM equipment in exchange for more specific wording on PCM would not result in a net advantage to the US.

5. With respect to the inherent merits of the suggested trade, we believe that the achievement of an embargo on PCM would not offset the strategic loss that would result from the release of long-haul, very high capacity FDM systems. It is in the area of long-distance and/or high-capacity communications that the Soviet Bloc and Communist Far East are least able to satisfy their requirements. The proposed trade-off would permit these countries to equip their strategic long-haul communications lines unrestricted by embargo limitations, and would maintain tight control over short-haul, PCM systems largely inappropriate to their most urgent needs.

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There is little question that the technology and end-use of PCM communications systems would justify their embargo, but it is far from clear why the addition of this equipment to the embargo list must be achieved at the cost of releasing other strategic material.

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